

Stefano V. Calogero
973.966.3205
scalogero@windelsmarx.com

One Giralda Farms | Madison, NJ 07940
T. 973.966.3200 | F. 973.966.3250

July 30, 2012

Via E-mail and First Class Mail

Robert S. Sanoff, Esq.
Foley Hoag, LLP
155 Seaport Boulevard
Boston, MA 02210

Re: Home Ins. Co. v. Cornell-Dubilier Electronics, et al.
Docket No.: MER-L-5192-96
Cornell-Dubilier Electronics et al. v. United Insurance Company
Docket No.: MER-L-2773-02
Cornell-Dubilier Electronics et al. v. Columbia Casualty Company, et al.
Docket No.: MER-L-463-05
Our File Number: 500080-000089

Dear Robby:

I am writing in response to your e-mail of July 26, 2012, in which CDE asserts that it has provided the information required under the 2004 Settlement Agreement and nothing further is required. Allstate respectfully disagrees. In addition to a reporting obligation that is triggered when CDE incurs an additional \$500,000 in South Plainfield Costs, which you acknowledge in your e-mail, CDE is obligated to report annually to Allstate. CDE must also provide sufficient information to Allstate that will enable Allstate to determine whether an alleged item of South Plainfield Cost was properly incurred pursuant to the terms and conditions of the Settlement Agreement. As my July 25th letter stated, the Consent Decree does not provide sufficient information to substantiate the stipulated amount of liability, and CDE must provide that information to Allstate.

You state the EPA has incurred \$122.5 million in costs and suggest this alone triggers Allstate's payment obligation. But CDE has decided, without any prior communication to Allstate,

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to stipulate to a \$367 million plus judgment. On its face, the stipulation is unreasonable. CDE has made no presentation that CDE faces liability in such an amount.

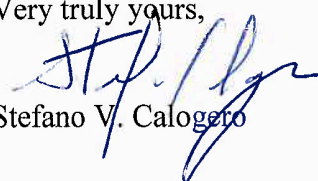
Allstate does not accept the argument implied in your e-mail that CDE effectively has no choice but to agree to liability in excess of \$367 million because there are no remaining PRPs for the South Plainfield Site. According to the EPA's Proposed Plan to address contaminated groundwater at the South Plainfield Site, there are other PRPs. The Plan states that "the NJDEP has identified other sources of similar contaminants within or near the study area. . . . While VOCs detected in monitoring wells close to [the] pumping centers might originate from the CDE site, it is equally likely that they originate from multiple sources."

You state that the decree will significantly limit CDE's ultimate exposure at South Plainfield. Our review indicates what the Decree does is essentially eliminate CDE's exposure in return for a capitulation of CDE's obligations under the Settlement Agreement.

To the extent CDE presumes that Allstate's conduct somehow operates as a waiver of its policy limits and an agreement to defend and indemnify CDE, such a presumption is legally and factually wrong. As you well know, CDE released Allstate from any and all of its obligations under the Northbrook policies in relation to Environmental Claims arising out of the South Plainfield Site, and Allstate's only remaining duties and obligations to CDE are set forth in the Settlement Agreement.

Although Allstate disagrees with CDE's position set forth in your July 26th e-mail, Allstate is open to further discussion of the issues and looks forward to the receipt of additional information from CDE.

Very truly yours,



Stefano V. Calogero

SVC:ndc